

CORNELIS RIVER DAM



## **PHUMELELA LOCAL MUNICIPALITY (FS 195) ANNUAL BUDGET FOR THE MTREF 2018-2019**



*Approved by Council on 31<sup>st</sup> May 2018  
In the Vrede Side Hall*

# **PHUMELELA LOCAL MUNICIPALITY (FS 195) ANNUAL BUDGET**



## **2018/2019 TO 2020/2021 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

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**Abbreviations and Acronyms**

AGSA	Auditor General of South Africa
BSC:	Budget Steering Committee
CFO:	Chief Financial Officer
CPI:	Consumer Price Index
DBSA:	Development Bank of South Africa
DoRA:	Division of Revenue Act
DWS:	Department of Water and Sanitation
FBS:	Free basic services
FMG:	Financial Management Grant
GRAP:	General Recognised Accounting Practice
HR:	Human Resources
IDP:	Integrated Development Plan
IT:	Information Technology
kℓ:	kilolitre
km:	kilometre
KPA:	Key Performance Area
KPI:	Key Performance Indicator
kWh:	kilowatt hours
ℓ:	litre
LED:	Local Economic Development
MFMA:	Municipal Financial Management Act
MIG:	Municipal Infrastructure Grant
MM:	Municipal Manager
MPRA:	Municipal Property Rates Act
MSA:	Municipal Systems Act
MSIG:	Municipal Systems Improvement Grant
MTREF:	Medium-Term Revenue and Expenditure Framework
NERSA:	National Electricity Regulator of South Africa
NGO:	Non-Governmental Organisations
NKPIs:	National Key Performance Indicators
NT:	National Treasury
CoGTA	Department of Cooperative Governance and Traditional Affairs
OHS:	Occupational Health and Safety
PMS:	Performance Management System
PPE:	Property Plant and Equipment
PT	Provincial Treasury
RBIG:	Regional Bulk Infrastructure Grant
SALGA:	South African Local Government Association
SALGBC:	South African Local Government Bargaining Council
SDBIP:	Service Delivery and Budget Implementation Plan
WSIG	Water Services Infrastructure Grant

## **1.1 MAYOR'S REPORT**

### **MAYOR BUDGET SPEECH – 31 May 2018**

## 1.2 COUNCIL RESOLUTIONS

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### ITEM :

**RE: PRESENTATION AND TABLING OF THE DRAFT 2018/2019 CAPITAL AND OPERATING BUDGET AND IDP DOCUMENT**

### RESOLVED

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#### RECOMMENDATIONS

- That Council note the content of the report on this item
- That council adopt and approve the annual operating and capital budget of the municipality for the 2018/2019 MTREF and the two projected outer years 2019/2020 and 2020/2021 as set out in the following tables:
  - Table A1 – Budget Summary
  - Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)
  - Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)
  - Table A4 – Budgeted Financial Performance (revenue and expenditure)
  - Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding
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  - Table A7 – Budgeted Cash flows
  - Table A8 – Cash backed reserves/accumulated surplus reconciliation
  - Table A9 – Asset Management
  - Table A10 – Basic Service delivery measurement
- That Council approves and adopt the budget related policies as compiled and reviewed by administration

The reviewed policies are as follows:

- Property Rates Policy
- Tariff Policy
- Indigent Policy (Amended)
- Credit Control (Amended) and Debt Collection Policy
- Supply Chain Management Policy (Amended)
- Bank and Investment Policy
- Budget and Virements Policy
- Debt impairment Policy
- SPLUMA Tariffs
- Accounting policies
- Travel and Subsistence Policy (Amended)

New policies are as follows:

- Infrastructure Procurement and Delivery Management Policy
- That council approves and adopt the new tariffs for the different services and rates and taxes to be implemented as from the 1 July 2018 as outlined on Annexure A (The increases are as follows):
  - Property Rates 5.3 % (2018/19), 5.4% (2019/20), 5.5% (2020/21)
  - Water 5.3% (2018/19), 5.4% (2019/20), 5.5% (2020/21)
  - Sanitation 5.3% (2018/19), 5.4% (2019/20), 5.5% (2020/2021)
  - Refuse 5.3% (2018/19), 5.4% (2019/20), 5.5% (2020/21)
  - Electricity 6.84% (2018/19), 6.84% (2019/20), 6.84% (2020/21)
- That council take notice that the measurable performance objectives must still be determined for the budget year 2018/2019

Signed by.....  
CLLR T.J. MOTAUNG (MAYOR)

.....  
DATE

## **1.3 EXECUTIVE SUMMARY**

### **1.3.1 Background**

This budget of Phumelela Local Municipality is compiled in accordance with prescribed legislative frameworks for the MTREF that is due to start on the 1 July 2018 to June 2021. According to section 16(1) of the MFMA, read together with section 215 of the constitution, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. This budget is, therefore, tabled to Council for approval as operating and capital budget of the municipality for the financial year 2018/2019 and for the two projected outer years (2019/2020 and 2020/2021).

Section 24 of the MFMA states that, the municipal council must at least 30 days before the start of the budget year, consider the approval of the annual budget. This budget will be approved by the municipal council on the 31st May 2018. This document was prepared with serious consideration of the local socio-economic scene and the continuous increase in unemployment and poor standard of living in our community. The municipality must thus, make initiatives to combat the challenges of poverty, unemployment and inequality through enhancement of projects that will encourage local economic development and other employment creation initiatives to improve lives of its community.

The municipality's cash flow trend is not good; this is due to poor debtors' collection and credit control. The members of the community who qualify for indigent support have been encouraged to come forth and register as indigents, as and if they qualify in accordance with the set criteria. This will help the municipality in cash forecasting and budget for realisable goals. Despite the current cash flow challenges, we are striving to improve the current status of service delivery through implementation of various cost saving methods and controls.

The Office of Budget and Treasury under the auspices of the CFO shall oversee the whole budgeting process, budget implementation and the monitoring thereof. All sections are advised to start saving costs in performing their duties yet maximising their performance. The following are some of the most overspending expenditure votes that should be seriously controlled: telephone, travel and subsistence, overtime, print and stationery. Every employee of the municipality shall take the ownership of this document and ensure maximum service delivery through implementation of the IDP priorities as set.

The municipality continues to provide for free basic water, electricity, sanitation and refuse-removal services but only to indigents and up-to a set benchmark. For the 2018/2019 MTREF, the indicative allocations for 2018/19 and 2019/20 have been calculated taking into account provisions of circular 91 of the MFMA issued in March 2018. Electricity bulk price increases of 6.84 percent, CPI forecast of 5.3 percent in 2018/2019 and 5.4 percent in 2019/20 and 5.5 percent in 2020/21 as well as household growth as outlined in the community survey for 2016. These variables will be updated in future budgets to reflect any changes in the growth in prices and/or change in affordability of our communities.

### **1.3.2 Overview**

The application of sound financial management principles for the compilation of PLM's financial plan is essential and critical to ensure that PLM remains financially viable and that municipal services are provided sustainably, economically and equitably to all its communities. PLM's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. This exercise has resulted in shift from the surplus of R54 098 to the surplus of R54 705 for the first financial year of the MTREF. The PLM has also introduced strategic measures to encourage consumers to pay their arrear debt including the appointment of debt collectors.

National Treasury's MFMA Circular No. 89 and 91 were used to guide the compilation of the 2018/2019 MTREF. The main challenges experienced during the compilation of the 2018/2019 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, sanitation, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the given income base;
- The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable; and
- Salary increases for municipal staffs that continue to exceed consumer inflation, as well as the need to fill critical vacancies.

The following budget principles and guidelines directly informed the compilation of the 2018/2019 MTREF:

- The 2017/2018 Mid-year Budget Performance Report priorities and targets, as well as the base line allocations contained in the budget were adopted where applicable as the upper limits for the new baselines for the 2018/2019 annual budget;
- Current service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Where tariffs were increased, affordability and the inflation rate as measured by the CPI were considered, price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity were also considered. In addition, MFMA Circular 89 and 91 were also considered. In these Circulars municipalities are urged to move towards tariffs that are cost reflective, and take into account the need to address infrastructure backlogs. This is not always possible due to the poverty levels within our area of jurisdiction;
- There will be no amounts budgeted for national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects (bursary fund, learnership, etc.) – The budget for bursaries is limited to those already awarded
  - Consultant Fees – This is limited to existing contracts as well as where the municipality does not have the necessary skills.
  - Furniture and office equipment (inventory) - The budget for these is limited to the requirements for new positions and existing staff that do not have furniture
  - Special Events (disaster management, farmers' support);
  - Refreshments and entertainment;
  - Subsistence and Travelling – The budget for this has been centralised in the Municipal Managers office, and all travelling is pre-authorised by her.
  - Overtime – The budget for this item is meant for extreme cases, where no alternative is available

In view of the executive summary, the following table is a consolidated overview of the 2018/2019 Medium-Term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2018/2019 MTREF**

Description	BUDGET 2017/2018 R'000	BUDGET 2018/2019 R'000	BUDGET +1 2019/2020 R'000	BUDGET +2 2020/2021 R'000
<b>Operating Revenue</b>	129 038	126 391	133 840	142 694
<b>Operating Expenditure</b>	128 962	126 336	133 763	142 612
<b>Surplus/(Deficit)</b>	76	55	77	82
<b>Capital Expenditure</b>	84 454	68 698	66 168	59 517



Total operating expenditure for the 2018/2019 financial year has been appropriated at R126,3m and translates into a budgeted surplus of R55k. When compared to the 2017/2018 budget year, operating surplus is anticipated to decline by 28 percent in the 2018/2019 financial year. The operating surplus for the two outer years increases to a surplus of R77k in 2019/20 and a surplus of R82k is projected for 2020/21, which shows our commitment to service delivery.

The capital budget of R 68,698m for 2018/2019 is 19 percent less when compared to the 2017/2018 Budget. The decrease is due to the slight decrease in funding from the national government for 2018/19 as well as the completion of the R102m Cornelis River Dam in Warden. The capital programme slightly decreases to R66,168m in the 2019/2020 financial year and then further decreases in 2020/2021 to R59,517m. All of these projects (100 percent) of the capital budget will be funded from government grants namely, the Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Integrated National Electrification Programme Grant and Water Service Infrastructure Grant. Other projects are not reflected on our budget as they fall within the scope of provincial and national government programmes and are reflected on the Provincial and National budgets.

### **1.3.3 Operating revenue and expenditure framework**

For PLM to continue improving the quality of services provided to its residents it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the PLM and continued economic development;
- Efficient revenue management, which aims to eventually achieve an 80 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the PLM.
- The municipality's adopted financial recovery plan

**Table 2: The following table is a summary of the 2018/2019 MTREF (classified by main revenue and expenditure source):**

**FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	11 023	11 707	11 871	12 628	12 569	12 569	12 569	12 557	13 247	13 959
Service charges - electricity revenue	2	7 587	7 809	7 765	13 926	5 674	5 674	5 674	4 614	2 420	2 507
Service charges - water revenue	2	7 638	7 948	9 276	11 230	12 767	12 767	12 767	10 787	10 946	11 021
Service charges - sanitation revenue	2	7 486	7 099	7 152	6 959	7 566	7 566	7 566	4 762	5 186	5 478
Service charges - refuse revenue	2	7 428	6 695	6 662	6 485	7 504	7 504	7 504	7 312	7 859	8 296
Service charges - other		—	—	—	—	—	—	—	—	—	—
Rental of facilities and equipment		749	—	392	4 756	2 434	2 434	2 434	316	333	351
Interest earned - external investments		474	2 967	222	220	206	206	206	220	232	245
Interest earned - outstanding debtors		9 258	6 933	9 272	5 896	8 791	8 791	8 791	10 623	11 196	11 812
Dividends received		—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		153	91	239	54	54	54	54	54	57	60
Licences and permits		—	25	—	27	23	23	23	27	28	30
Agency services		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies		61 526	91 963	62 935	64 948	68 248	68 248	68 248	70 498	77 499	83 870
Other revenue	2	4 110	2 014	4 911	1 909	963	963	963	4 622 346,95	4 836	5 065
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—	—
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>117 433</b>	<b>145 250</b>	<b>120 697</b>	<b>129 038</b>	<b>126 800</b>	<b>126 800</b>	<b>126 800</b>	<b>126 391</b>	<b>133 840</b>	<b>142 694</b>
<b>Expenditure By Type</b>											
Employee related costs	2	47 449	48 650	55 743	61 732	54 038	54 038	54 038	64 563	70 099	74 649
Remuneration of councillors		4 473	5 994	5 282	5 723	5 723	5 723	5 723	6 268	6 675	7 109
Debt impairment	3	23 987	—	36 128	5 113	4 113	4 113	4 113	4 369	4 633	5 113
Depreciation & asset impairment	2	17 182	16 867	17 191	4 460	3 460	3 460	3 460	2 203	1 811	2 450
Finance charges		5 911	8 339	30 268	2 388	7 344	7 344	7 344	1 644	1 652	1 660
Bulk purchases	2	17 349	24 352	30 543	18 200	19 350	19 350	19 350	16 283	16 563	17 579
Other materials	8	—	389	5 676	—	—	—	—	—	—	—
Contracted services		11 815	3 900	8 219	2 382	3 212	3 212	3 212	2 382	2 511	2 949
Transfers and subsidies		—	—	—	—	—	—	—	—	—	—
Other expenditure	4, 5	36 548	47 628	19 160	28 964	29 505	29 505	29 505	28 625	29 820	31 102
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—
<b>Total Expenditure</b>		<b>164 715</b>	<b>156 119</b>	<b>208 210</b>	<b>128 962</b>	<b>126 745</b>	<b>126 745</b>	<b>126 745</b>	<b>126 337</b>	<b>133 763</b>	<b>142 612</b>
<b>Surplus/(Deficit)</b>		<b>(47 282)</b>	<b>(10 869)</b>	<b>(87 513)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		44 678	5 848	64 481	—	—	—	—	—	—	—
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)	6	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
Taxation		—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after taxation</b>		<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
Attributable to minorities		—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
Share of surplus/ (deficit) of associate	7	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>		<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and service charges forms a significant part of the revenue base of the PLM. Rates and service charge revenues comprise 39.2% of the total revenue mix.

In the 2018/2019 financial year, revenue from rates and services charges totalled R49.566m or 39.2 percent of the operating revenue. This decreases to R49.205m in the 2019/20 financial year before increasing to R51.367m in the 2020/21 financial year of the MTREF. This will be achieved through robust implementation of debt collection and credit control policy with the assistance of the appointed Debt Collectors. A notable trend of continuous increase in the total percentage revenue is envisaged to be generated from rates and service charges. This growth can be mainly attributed to an increase in the number of farms that are to be billed. The above table takes into account revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

The PLM's expenditure framework for the 2018/2019 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;
- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);

- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The budgeted allocation for employee related costs for the 2018/2019 financial year totals R64.563m, which equals 51.1 percent of the total operating expenditure. Based on the MFMA circular 56, salaries have been budgeted at a rate of 7 percent for the 2018/2019 and annual increase of 7 percent in the two outer years of the MTREF respectively. Please note that these costs are the combination of salaries, social contributions and allowances. As part of the PLM's cost reprioritization and cash management strategy, vacancies have been significantly restructured and clustered. Most vacancies of critical and strategic positions were filled and that were not filled were also taken into account when this budget was compiled. In addition, expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration and allowances of councillors were determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, no. 20 of 1998. This expenditure item is curbed at R6.268m representing 4.96 percent of the operating budget. In compiling the salary budget for Councillors, an increase was provided based on the most recent proclamation.

Finance charges consist primarily of the interest on bulk electricity charges (Eskom Debt). This interest makes up 1.3 percent (R1.644m) of the operating expenditure, increasing to R1.652m for 2019/2020 and increases to R1.660m by 2020/2021.

Bulk purchases are directly informed by the purchase of electricity from Eskom and Department of Water Affairs. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses resulting from illegal connections, faulty meters and tempering. Bulk purchases are budgeted at R14.283m and R2m for electricity and water respectively which totals to 12.89 percent of the overall operating expenditure.

Contracted services have been identified as a cost saving area for the PLM. As part of the compilation of the 2018/2019 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. Contracted services constitute only R2.382m representing 1.9 percent of the total operating expenditure.

Other expenditure comprises of repairs and maintenance, operational provisions and various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved and is budgeted at R24.653m or 19.51 percent of the operating budget

Operating grants and transfers totals R70.498m in the 2018/2019 financial year, and increases to R77.499m by 2019/20 and R83.870m in 2020/2021.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the PLM. National Treasury continues to encourage municipalities to ensure that rates, tariffs and other charges are cost-reflective yet keeping increases as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariffs is far beyond the mentioned inflation target. Given that, these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the PLM. Discounting the impact of these price increases by lowering consumer tariffs will erode the PLM's future financial position and viability.

It must also be appreciated that the inflation, as measured by consumer price index (CPI), is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the PLM is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

### 1.3.5 Capital expenditure

**Table 3: Detailed capital budget per individual project**

Ref	Program/Project description	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
4				
	PMU	1 034	1 052	1 101
	Warden/Ezenzeleni Sports Facility - Phase 4	1 200	1 350	-
	Warden/ Ezenzeleni Construction of 1km Paved Road-Phase 3	3 589	-	-
	Construction of 350m Paved Road-Phase 3 Warden/Ezenzeleni	-	3 450	3 450
	Zamani/memel: Construction of 2ml reservoir rising main.	-	-	4 777
	Zamani: Construction of Pedestrian Bridges (MIS:263870)	3 607	3 607	-
	Installation of 245 Water Meters (Whole of Phumelela)	2 100	2 100	-
	Fencing of Buildings (Whole of Phumelela)	2 416	2 216	2 216
	Construction of 300m Paved Road- Phase 3	-	2 053	2 053
	Installation of 4 High Mast lights (whole of Phumelela)	2 453	-	-
	Phumelela: Repair and maintenance of tarred road	-	3 119	5 530
	Warden /Ezenzeleni: Replacement and connection of sewer network.	7 000	-	-
	Warden:Ezenzeleni: Upgrading of pumpstation pumps,electrical and mechanical works.	6 000	-	-
	Warden/Ezenzeleni: Construction of Dam	20 000	-	-
	Vrede/Memel replacement of asbestos pipes to pvc pipes	7 600	20 000	10 000
	Vrede / Memel Electrical and Mechanical works at the water treatment works	5 600	-	-
	Standby line from the abstraction point to the treatment works (installation of pumps and line)	1 800	-	-
	Water treatment works	-	20 000	21 100
	Electrification of Warden/Ezenzeleni	-	5 120	6 400
	Zamani/Memel: Water house connection from main line	4 298	-	-
1		68 698	64 068	56 627

In 2018/2019 an amount of R68.698m has been appropriated for the development of infrastructure around the three units of the municipality. This amount then decreases to R66.168m and R59.517m for the respective outer years. An amount equal to R20.698m of the overall funding of these projects will be received from the Municipal Infrastructure Grant and R33m from Regional Bulk Infrastructure Grant with the last R15m coming from the Water Service Infrastructure Grant. Water infrastructure receives the highest allocation of R39.798m equalling 57.9 percent of the total capital budget.

### 1.4 ANNUAL BUDGET TABLES- PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of regulation 8 of the Municipal Budget and Reporting Regulations-Part 2 regulation 6. These tables set out the municipality's 2018/2019 budget and MTREF as tabled to the Council. Each table is accompanied by explanatory notes.

**Table 4 (Table A1) – Budget Summary**

FS195 Phumelela - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	11 023	11 707	11 871	12 628	12 569	12 569	12 569	12 557	13 247	13 959
Service charges	30 140	29 551	30 855	38 600	33 511	33 511	33 511	27 475	26 412	27 303
Investment revenue	474	2 967	222	220	206	206	206	220	232	245
Transfers recognised - operational	61 526	91 963	62 935	64 948	68 248	68 248	68 248	70 498	77 499	83 870
Other own revenue	14 270	9 063	14 814	12 642	12 266	12 266	12 266	15 642	16 450	17 318
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>117 433</b>	<b>145 250</b>	<b>120 697</b>	<b>129 038</b>	<b>126 800</b>	<b>126 800</b>	<b>126 800</b>	<b>126 391</b>	<b>133 840</b>	<b>142 694</b>
Employee costs	47 449	48 650	55 743	61 732	54 038	54 038	54 038	64 563	70 099	74 649
Remuneration of councillors	4 473	5 994	5 282	5 723	5 723	5 723	5 723	6 268	6 675	7 109
Depreciation & asset impairment	17 182	16 867	17 191	4 460	3 460	3 460	3 460	2 203	1 811	2 450
Finance charges	5 911	8 339	30 268	2 388	7 344	7 344	7 344	1 644	1 652	1 660
Materials and bulk purchases	17 349	24 741	36 219	18 200	19 350	19 350	19 350	16 283	16 563	17 579
Transfers and grants	—	—	—	—	—	—	—	—	—	—
Other expenditure	72 351	51 529	63 507	36 459	36 830	36 830	36 830	35 376	36 963	39 164
<b>Total Expenditure</b>	<b>164 715</b>	<b>156 119</b>	<b>208 210</b>	<b>128 962</b>	<b>126 745</b>	<b>126 745</b>	<b>126 745</b>	<b>126 337</b>	<b>133 763</b>	<b>142 512</b>
<b>Surplus/(Deficit)</b>	<b>(47 282)</b>	<b>(10 869)</b>	<b>(87 513)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
Transfers and subsidies - capital (monetary allocation)	44 678	5 848	64 481	—	—	—	—	—	—	—
Contributions recognised - capital & contributed assets	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>	<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>25 865</b>	<b>26 373</b>	<b>64 708</b>	<b>84 454</b>	<b>84 454</b>	<b>84 454</b>	<b>84 454</b>	<b>68 698</b>	<b>66 168</b>	<b>59 517</b>
Transfers recognised - capital	25 865	26 038	64 439	84 454	84 454	84 454	84 454	68 698	66 168	59 517
Public contributions & donations	—	—	—	—	—	—	—	—	—	—
Borrowing	—	—	—	—	—	—	—	—	—	—
Internally generated funds	—	335	268	—	—	—	—	—	—	—
<b>Total sources of capital funds</b>	<b>25 865</b>	<b>26 373</b>	<b>64 708</b>	<b>84 454</b>	<b>84 454</b>	<b>84 454</b>	<b>84 454</b>	<b>68 698</b>	<b>66 168</b>	<b>59 517</b>
<b>Financial position</b>										
Total current assets	13 290	14 415	15 211	186 426	186 426	186 426	186 426	195 710	205 416	215 655
Total non current assets	646 478	653 612	701 125	765 016	772 719	772 719	772 719	889 666	907 620	1 012 889
Total current liabilities	105 327	134 911	197 587	117 818	117 818	117 818	117 818	123 945	130 762	137 953
Total non current liabilities	56 398	62 802	70 873	33 725	33 725	33 725	33 725	35 104	37 035	39 072
Community wealth/Equity	498 043	470 314	447 876	799 899	807 602	807 602	807 602	926 327	945 239	1 051 519
<b>Cash flows</b>										
Net cash from (used) operating	23 231	27 475	66 460	84 005	84 305	84 305	84 305	67 831	65 256	58 555
Net cash from (used) investing	(25 865)	(26 373)	(64 708)	(84 454)	(84 454)	(84 454)	(84 454)	(68 698)	(66 168)	(59 517)
Net cash from (used) financing	(1 390)	(1 248)	(1 048)	(187)	(187)	(187)	(187)	(168)	(177)	(187)
<b>Cash/cash equivalents at the year end</b>	<b>585</b>	<b>443</b>	<b>1 175</b>	<b>(147)</b>	<b>153</b>	<b>153</b>	<b>153</b>	<b>(564)</b>	<b>(1 653)</b>	<b>(2 803)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	585	443	1 182	(147)	(147)	(147)	(147)	(564)	(1 653)	(2 803)
Application of cash and investments	95 483	124 731	180 450	(18 430)	(33 075)	(33 075)	(33 075)	(10 769)	(18 005)	(20 642)
<b>Balance - surplus (shortfall)</b>	<b>(94 898)</b>	<b>(124 288)</b>	<b>(179 268)</b>	<b>18 283</b>	<b>32 928</b>	<b>32 928</b>	<b>32 928</b>	<b>10 205</b>	<b>16 352</b>	<b>17 839</b>
<b>Asset management</b>										
Asset register summary (WDV)	653 121	700 638	765 022	772 719	772 719	772 719	—	889 666	907 620	1 012 889
Depreciation	17 182	16 867	1 984	4 460	4 460	4 460	—	2 203	1 811	2 450
Renewal of Existing Assets	—	—	—	—	—	—	—	—	—	—
Repairs and Maintenance	—	—	7 580	3 543	3 543	3 543	—	5 099	5 374	5 670
<b>Free services</b>										
Cost of Free Basic Services provided	—	959	—	8 338	6 802	6 802	9 535	9 535	9 546	10 105
Revenue cost of free services provided	—	923	—	—	—	—	—	—	—	—
<b>Households below minimum service level</b>										
Water:	0	0	0	0	0	0	0	0	0	0
Sanitation/sewerage:	—	—	—	—	—	—	—	—	—	—
Energy:	2	2	2	2	2	2	2	2	2	2
Refuse:	2	2	2	2	2	2	2	2	2	2

**Explanatory notes on Table A1 – Budget Summary**

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flows, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial Management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow, as well as the capital budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected in the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing in the Cash Flow Budget;
    - iii. Internally generated funds are financed from a combination of the current operating surplus, accumulated cash-backed surpluses from previous years and envisaged budget year revenue collection. The amount is incorporated in the Net cash from investing in the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations were not cash-backed. This has placed the municipality in a very vulnerable financial position. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. It can therefore be seen that over the MTREF there is progressive improvement in the level of cash-backing of obligations showing an ultimate surplus.
5. Even though the council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs

**Table 5 (Table A2) Budgeted Financial Performance (revenue and expenditure by standard classification)**

**FS195 Phumelela - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		122 116	86 415	153 892	76 090	78 271	78 271	77 999	86 974	93 815
Executive and council		2 214	1 466	2 470	3 150	3 150	3 150	3 310	3 474	3 639
Finance and administration		119 902	84 949	151 422	72 940	75 121	75 121	74 689	83 500	90 176
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		865	172	139	145	151	151	159	168	177
Community and social services		865	172	139	145	151	151	159	168	177
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		—	—	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		184	21 022	264	84	70	70	742	746	750
Planning and development		31	20 930	25	30	16	16	685	686	687
Road transport		153	91	239	54	54	54	57	60	63
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		38 947	43 488	30 883	52 719	48 308	48 308	47 492	45 953	47 953
Energy sources		8 612	13 977	7 790	16 122	6 038	6 038	10 270	8 195	8 646
Water management		9 983	10 252	9 278	14 821	16 600	16 600	13 257	13 535	13 752
Waste water management		10 153	9 767	7 152	11 352	12 970	12 970	10 320	10 885	11 484
Waste management		10 198	9 492	6 662	10 425	12 699	12 699	13 645	13 337	14 071
Other	4	—	—	—	—	—	—	—	—	—
<b>Total Revenue - Functional</b>	2	162 112	151 097	185 178	129 038	126 800	126 800	126 391	133 840	142 694
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		42 380	61 321	56 321	55 784	60 609	60 609	59 487	62 788	66 389
Executive and council		18 785	18 837	14 467	17 871	19 274	19 274	18 093	19 137	20 251
Finance and administration		23 595	42 485	41 854	37 018	40 442	40 442	40 273	42 459	44 871
Internal audit		—	—	—	895	892	892	1 120	1 192	1 268
<i>Community and public safety</i>		3 195	2 411	2 519	3 276	3 176	3 176	3 317	3 529	3 755
Community and social services		2 059	953	997	1 585	1 649	1 649	906	963	1 023
Sport and recreation		1 136	1 458	1 522	1 691	1 527	1 527	2 410	2 566	2 732
Public safety		—	—	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		30 693	29 454	29 535	18 305	12 890	12 890	17 086	19 426	20 477
Planning and development		27 907	26 670	27 093	12 855	11 440	11 440	12 147	14 372	15 300
Road transport		2 786	2 784	2 442	5 450	1 450	1 450	4 939	5 054	5 178
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		88 447	62 933	119 835	51 598	50 070	50 070	46 448	48 021	51 990
Energy sources		57 277	22 042	64 517	16 506	18 143	18 143	16 006	16 371	17 271
Water management		10 458	16 182	20 514	16 949	15 208	15 208	13 431	13 594	15 535
Waste water management		10 952	16 259	26 992	10 568	9 182	9 182	9 191	9 746	10 353
Waste management		9 760	8 450	7 812	7 575	7 537	7 537	7 820	8 309	8 831
Other	4	—	—	—	—	—	—	—	—	—
<b>Total Expenditure - Functional</b>	3	164 715	156 119	208 210	128 962	126 745	126 745	126 337	133 763	142 612
<b>Surplus/(Deficit) for the year</b>		(2 603)	(5 022)	(23 033)	76	54	54	55	77	83

**Explanatory notes to Table 5 (Table A2) – Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of these functional areas which enables the National treasury to compile 'whole of government' reports.
2. Note that as a general principle the revenues for the trading services should exceed their expenditures.
3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenue sources reflected under the Budget and Treasury office.

**Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**FS195 Phumelela - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>	<b>1</b>									
Vote 1 - Council And Executive		2 214	1 466	2 470	3 150	3 150	3 150	3 310	3 474	3 639
Vote 2 - Financial And Administration Services		119 902	84 949	151 422	72 940	75 121	75 121	74 689	83 500	90 176
Vote 3 - Planning and Development		31	20 930	25	30	16	16	685	686	687
Vote 5 - Community and Social Services		865	172	139	145	151	151	159	168	177
Vote 6 - Public Safety		153	91	239	54	54	54	57	60	63
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		10 198	9 492	6 662	10 425	12 699	12 699	13 645	13 337	14 071
Vote 9 - Waste Water Management		10 153	9 767	7 152	11 352	12 970	12 970	10 320	10 885	11 484
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-
Vote 11 - Water		9 983	10 252	9 278	14 821	16 600	16 600	13 257	13 535	13 752
Vote 12 - Electricity		8 612	13 977	7 790	16 122	6 038	6 038	10 270	8 195	8 646
Vote 12 - Health		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>2</b>	<b>162 112</b>	<b>151 097</b>	<b>185 178</b>	<b>129 038</b>	<b>126 800</b>	<b>126 800</b>	<b>126 391</b>	<b>133 840</b>	<b>142 694</b>
<b>Expenditure by Vote to be appropriated</b>	<b>1</b>									
Vote 1 - Council And Executive		18 785	18 837	14 467	22 584	22 023	22 023	21 074	22 309	23 625
Vote 2 - Financial And Administration Services		23 595	42 485	41 854	34 097	38 585	38 585	38 412	40 479	42 764
Vote 3 - Planning and Development		27 907	26 670	27 093	11 957	11 440	11 440	12 147	14 372	15 300
Vote 5 - Community and Social Services		2 059	953	997	1 585	1 649	1 649	906	963	1 023
Vote 6 - Public Safety		1 164	1 099	1 063	850	850	850	939	1 000	1 066
Vote 7 - Sports and Recreation		1 136	1 458	1 522	1 691	1 527	1 527	2 410	2 566	2 732
Vote 8 - Waste Management		9 760	8 450	7 812	7 575	7 537	7 537	7 820	8 309	8 831
Vote 9 - Waste Water Management		10 952	16 259	26 992	10 568	9 182	9 182	9 191	9 746	10 353
Vote 10 - Road Transport		1 622	1 685	1 379	4 600	600	600	4 000	4 054	4 112
Vote 11 - Water		10 458	16 182	20 514	16 949	15 208	15 208	13 431	13 594	15 535
Vote 12 - Electricity		57 277	22 042	64 517	16 506	18 143	18 143	16 006	16 371	17 271
Vote 12 - Health		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>164 715</b>	<b>156 119</b>	<b>208 210</b>	<b>128 962</b>	<b>126 745</b>	<b>126 745</b>	<b>126 337</b>	<b>133 763</b>	<b>142 612</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>(2 603)</b>	<b>(5 022)</b>	<b>(23 033)</b>	<b>76</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>77</b>	<b>83</b>

**Explanatory notes to Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Phumelela Local Municipality. This means it is possible to present the operating surplus or deficit per a particular vote.

**Table 7 (Table A4) – Budgeted Financial Performance (revenue and expenditure)**

FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)

2016/17 Financial Performance (Revenue and Expenditure)									2018/19 Medium Term Revenue & Expenditure Framework		
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome			
Revenue By Source											
Property rates	2	11 023	11 707	11 871	12 628	12 569	12 569	12 569	12 557	13 247	13 959
Service charges - electricity revenue	2	7 587	7 809	7 765	13 926	5 674	5 674	5 674	4 614	2 420	2 507
Service charges - water revenue	2	7 638	7 948	9 276	11 230	12 767	12 767	12 767	10 787	10 946	11 021
Service charges - sanitation revenue	2	7 486	7 099	7 152	6 959	7 566	7 566	7 566	4 762	5 186	5 478
Service charges - refuse revenue	2	7 428	6 695	6 662	6 485	7 504	7 504	7 504	7 312	7 859	8 296
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		749	-	392	4 756	2 434	2 434	2 434	316	333	351
Interest earned - external investments		474	2 967	222	220	206	206	206	220	232	245
Interest earned - outstanding debtors		9 258	6 933	9 272	5 896	8 791	8 791	8 791	10 623	11 196	11 812
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		153	91	239	54	54	54	54	54	57	60
Licences and permits		-	25	-	27	23	23	23	27	28	30
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		61 526	91 963	62 935	64 948	68 248	68 248	68 248	70 498	77 499	83 870
Other revenue	2	4 110	2 014	4 911	1 909	963	963	963	4 622 346.95	4 836	5 065
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		117 433	145 250	120 697	129 038	126 800	126 800	126 800	126 391	133 840	142 694
Expenditure By Type											
Employee related costs	2	47 449	48 650	55 743	61 732	54 038	54 038	54 038	64 563	70 099	74 649
Remuneration of councillors		4 473	5 994	5 282	5 723	5 723	5 723	5 723	6 268	6 675	7 109
Debt impairment	3	23 987	-	36 128	5 113	4 113	4 113	4 113	4 369	4 633	5 113
Depreciation & asset impairment	2	17 182	16 867	17 191	4 460	3 460	3 460	3 460	2 203	1 811	2 450
Finance charges		5 911	8 339	30 268	2 388	7 344	7 344	7 344	1 644	1 652	1 660
Bulk purchases	2	17 349	24 352	30 543	18 200	19 350	19 350	19 350	16 283	16 563	17 579
Other materials	8	-	389	5 676	-	-	-	-	-	-	-
Contracted services		11 815	3 900	8 219	2 382	3 212	3 212	3 212	2 382	2 511	2 949
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	36 548	47 628	19 160	28 964	29 505	29 505	29 505	28 625	29 820	31 102
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		164 715	156 119	208 210	128 962	126 745	126 745	126 745	126 337	133 763	142 612
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(47 282)	(10 869)	(87 513)	76	54	54	54	55	77	83
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	44 678	5 848	64 481	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(2 603)	(5 022)	(23 033)	76	54	54	54	55	77	83
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(2 603)	(5 022)	(23 033)	76	54	54	54	55	77	83
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(2 603)	(5 022)	(23 033)	76	54	54	54	55	77	83
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(2 603)	(5 022)	(23 033)	76	54	54	54	55	77	83

**Explanatory notes to Table 7 (Table A4)**

1. Total revenue is envisaged to be R126.3m, escalating to R133.8m in 2019/20 and R142.7m in 2020/21.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are increasing steadily over the MTREF.
3. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in the future years, yet saving employment.

**Table 8 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**



FS195 Phumelela - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>											
<b>Capital expenditure - Vote</b>											
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Council And Executive		-	169	-	-	-	-	-	-	-	-
Vote 2 - Financial And Administration Services		-	-	268	-	-	-	-	-	-	-
Vote 3 - Planning and Development		796	-	-	1 073	1 073	1 073	1 073	1 034	1 052	1 101
Vote 5 - Community and Social Services		-	-	-	1 017	3 425	3 425	3 425	2 416	2 216	2 216
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		2 356	4 841	4 052	10 203	10 367	10 367	10 367	1 200	1 350	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		4 447	166	-	1 235	-	-	-	14 600	-	-
Vote 10 - Road Transport		9 969	5 644	6 173	1 032	5 395	5 395	5 395	7 197	12 229	11 033
Vote 11 - Water		8 297	10 461	53 550	68 693	60 955	60 955	60 955	39 798	44 200	38 767
Vote 12 - Electricity		-	5 091	664	1 200	3 240	3 240	3 240	2 453	5 120	6 400
Vote 12 - Health		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		25 865	26 373	64 708	84 454	84 454	84 454	84 454	68 698	66 168	59 517
<b>Total Capital Expenditure - Vote</b>		25 865	26 373	64 708	84 454	84 454	84 454	84 454	68 698	66 168	59 517
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	169	268	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	268	-	-	-	-	-	-	-
Internal audit		-	169	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		2 356	4 841	4 052	11 220	13 791	13 791	13 791	3 616	3 566	2 216
Community and social services		-	-	-	1 017	3 425	3 425	3 425	2 416	2 216	2 216
Sport and recreation		2 356	4 841	4 052	10 203	10 367	10 367	10 367	1 200	1 350	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		10 765	5 644	6 173	2 105	6 468	6 468	6 468	8 231	13 282	12 134
Planning and development		796	-	-	1 073	1 073	1 073	1 073	1 034	1 052	1 101
Road transport		9 969	5 644	6 173	1 032	5 395	5 395	5 395	7 197	12 229	11 033
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		12 745	15 718	54 214	71 129	64 195	64 195	64 195	56 851	49 320	45 167
Energy sources		-	5 091	664	1 200	3 240	3 240	3 240	2 453	5 120	6 400
Water management		8 297	10 461	53 550	68 693	60 955	60 955	60 955	39 798	44 200	38 767
Waste water management		4 447	166	-	1 235	-	-	-	14 600	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	25 865	26 373	64 708	84 454	84 454	84 454	84 454	68 698	66 168	59 517
<b>Funded by:</b>											
National Government		25 865	26 038	64 439	84 454	84 454	84 454	84 454	68 698	66 168	59 517
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	25 865	26 038	64 439	84 454	84 454	84 454	84 454	68 698	66 168	59 517
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	335	268	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	25 865	26 373	64 708	84 454	84 454	84 454	84 454	68 698	66 168	59 517

**Explanatory notes to Table 8 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year budget appropriations. A total of R68.698m has been allocated for the 2018/19 financial year, R66.168m for the 2019/20 financial year and flattens out to R59.517m in the 2020/21 financial year.
3. The capital programme is funded from capital transfers from national and provincial government.

**Table 9 (Table A6) – Budgeted Financial Position**

FS195 Phumelela - Table A6 Budgeted Financial Position

PS193 Phumleila - Table A6 Budgeted Financial Position												
Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS												
Current assets												
Cash			585	443	1 182	(147)	(147)	(147)	(147)	(564)	(1 653)	(2 803)
Call investment deposits	1		—	—	—	—	—	—	—	—	—	—
Consumer debtors	1		9 604	11 226	4 999	186 000	186 000	186 000	186 000	195 672	206 434	217 788
Other debtors			—	—	7 846	—	—	—	—	—	—	—
Current portion of long-term receivables			876	1 882	607	—	—	—	—	—	—	—
Inventory	2		2 225	864	576	572	572	572	572	602	635	670
Total current assets			13 290	14 415	15 211	186 426	186 426	186 426	186 426	195 710	205 416	215 655
Non current assets												
Long-term receivables			—	—	—	—	—	—	—	—	—	—
Investments			—	—	—	—	—	—	—	—	—	—
Investment property			17 535	17 110	16 685	18 457	18 457	18 457	18 457	—	—	—
Investment in Associate			—	—	—	—	—	—	—	—	—	—
Property, plant and equipment	3		628 450	636 011	683 953	746 559	754 263	754 263	754 263	889 666	907 620	1 012 889
Agricultural			—	—	—	—	—	—	—	—	—	—
Biological			—	—	—	—	—	—	—	—	—	—
Intangible			—	—	—	—	—	—	—	—	—	—
Other non-current assets			493	491	487	—	—	—	—	—	—	—
Total non current assets			646 478	653 612	701 125	765 016	772 719	772 719	772 719	889 666	907 620	1 012 889
TOTAL ASSETS			659 768	668 027	716 336	951 442	959 145	959 145	959 145	1 085 376	1 113 036	1 228 544
LIABILITIES												
Current liabilities												
Bank overdraft	1		—	—	—	—	—	—	—	—	—	—
Borrowing	4		—	—	—	68	68	68	68	72	75	80
Consumer deposits			242	240	239	—	—	—	—	—	—	—
Trade and other payables	4		104 292	133 941	187 869	117 750	117 750	117 750	117 750	123 873	130 686	137 874
Provisions			793	729	9 479	—	—	—	—	—	—	—
Total current liabilities			105 327	134 911	197 587	117 818	117 818	117 818	117 818	123 945	130 762	137 953
Non current liabilities												
Borrowing			1 841	5 309	326	2 747	2 747	2 747	2 747	2 515	2 653	2 799
Provisions			54 557	57 492	70 547	30 978	30 978	30 978	30 978	32 589	34 382	36 273
Total non current liabilities			56 398	62 802	70 873	33 725	33 725	33 725	33 725	35 104	37 035	39 072
TOTAL LIABILITIES			161 724	197 713	268 460	151 543	151 543	151 543	151 543	159 049	167 797	177 025
NET ASSETS			498 043	470 314	447 876	799 899	807 602	807 602	807 602	926 327	945 239	1 051 519
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			498 043	470 314	447 876	799 899	807 602	807 602	807 602	926 327	945 239	1 051 519
Reserves	4		—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY			498 043	470 314	447 876	799 899	807 602	807 602	807 602	926 327	945 239	1 051 519

**Explanatory notes to table 9 (Table A6) – Budget Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets and Liabilities as “accounting” Community Wealth or Equity. The order of items within each group illustrates requirements to be met from cash, and appears first.
- Table A6 provides a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Non-current Provisions;
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 10 (Table A7) – Budgeted Cash Flow Statement**

**FS195 Phumelela - Table A7 Budgeted Cash Flows**

Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
			11 023	11 897	12 259	10 103	10 103	10 103	10 103	10 046	10 598	11 181
			39 818	29 387	20 975	30 880	30 880	30 880	30 880	21 980	23 189	24 464
			–	–	–	5 780	5 780	5 780	5 780	6 272	6 617	6 981
	1		61 098	57 560	62 935	64 948	68 248	68 248	68 248	70 498	74 375	78 466
	1		44 678	42 091	68 712	84 454	84 454	84 454	84 454	68 698	66 168	59 517
			9 731	9 900	9 494	4 937	4 937	4 937	4 937	9 674	10 206	10 767
			–	–	8 706	–	–	–	–	–	–	–
Payments												
			(137 206)	(108 582)	(86 353)	(114 709)	(117 709)	(117 709)	(117 709)	(116 948)	(123 378)	(130 164)
			(5 911)	(14 778)	(30 268)	(2 388)	(2 388)	(2 388)	(2 388)	(2 388)	(2 519)	(2 658)
	1		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES			23 231	27 475	66 460	84 005	84 305	84 305	84 305	67 831	65 256	58 555
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
			–	–	–	–	–	–	–	–	–	–
			–	–	–	–	–	–	–	–	–	–
			–	–	–	–	–	–	–	–	–	–
			–	–	–	–	–	–	–	–	–	–
Payments												
			(25 865)	(26 373)	(64 708)	(84 454)	(84 454)	(84 454)	(84 454)	(68 698)	(66 168)	(59 517)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(25 865)	(26 373)	(64 708)	(84 454)	(84 454)	(84 454)	(84 454)	(68 698)	(66 168)	(59 517)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
			–	–	–	–	–	–	–	–	–	–
			–	–	(3)	–	–	–	–	–	–	–
			–	–	–	–	–	–	–	–	–	–
Payments												
			(1 390)	(1 248)	(1 045)	(187)	(187)	(187)	(187)	(168)	(177)	(187)
NET CASH FROM/(USED) FINANCING ACTIVITIES			(1 390)	(1 248)	(1 048)	(187)	(187)	(187)	(187)	(168)	(177)	(187)
NET INCREASE/ (DECREASE) IN CASH HELD			(4 024)	(146)	704	(636)	(336)	(336)	(336)	(1 035)	(1 089)	(1 149)
	2		4 609	589	471	489	489	489	489	471	(564)	(1 653)
	2		585	443	1 175	(147)	153	153	153	(564)	(1 653)	(2 803)

**Explanatory notes to Table 10 (Table A7) - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

**Table 11 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

FS195 Phumelela - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	585	443	1 175	(147)	153	153	153	(564)	(1 653)	(2 803)
Other current investments > 90 days		-	-	7	0	(300)	(300)	(300)	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>585</b>	<b>443</b>	<b>1 182</b>	<b>(147)</b>	<b>(147)</b>	<b>(147)</b>	<b>(147)</b>	<b>(564)</b>	<b>(1 653)</b>	<b>(2 803)</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	1 752	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	1 750	-	-	-	1 800	1 901	2 007
Other working capital requirements	3	95 483	122 979	180 450	(20 180)	(33 075)	(33 075)	(33 075)	(12 569)	(19 906)	(22 649)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>95 483</b>	<b>124 731</b>	<b>180 450</b>	<b>(18 430)</b>	<b>(33 075)</b>	<b>(33 075)</b>	<b>(33 075)</b>	<b>(10 769)</b>	<b>(18 005)</b>	<b>(20 642)</b>
<b>Surplus(shortfall)</b>		<b>(94 898)</b>	<b>(124 288)</b>	<b>(179 268)</b>	<b>18 283</b>	<b>32 928</b>	<b>32 928</b>	<b>32 928</b>	<b>10 205</b>	<b>16 352</b>	<b>17 839</b>

**Explanatory notes to Table 11 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus indirectly indicates that the annual budget is appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

**Table 12 (Table A9) – Asset Management**

FS195 Phumelela - Table A9 Consolidated Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>										
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Roads Infrastructure								166 833	179 880	188 064
Storm water Infrastructure								-	-	-
Electrical Infrastructure								39 917	41 115	44 115
Water Supply Infrastructure								285 613	325 089	346 509
Sanitation Infrastructure								199 792	199 792	199 792
Solid Waste Infrastructure								23 695	23 695	23 695
Rail Infrastructure								-	-	-
Coastal Infrastructure								-	-	-
Information and Communication Infrastructure								-	-	-
<b>Infrastructure</b>								715 850	769 572	802 176
Community Facilities								1 017	4 376	8 835
Sport and Recreation Facilities								10 203	12 367	17 614
<b>Community Assets</b>								11 220	16 743	26 449
<b>Heritage Assets</b>								-	-	-
Revenue Generating								-	-	-
Non-revenue Generating								-	-	-
<b>Investment properties</b>								-	-	-
Operational Buildings								17 412	17 412	17 412
Housing								18 457	19 564	20 738
<b>Other Assets</b>								35 868	36 976	38 150
<b>Biological or Cultivated Assets</b>								-	-	-
Servitudes								-	-	-
Licences and Rights								-	-	-
<b>Intangible Assets</b>								-	-	-
Computer Equipment								-	-	-
Furniture and Office Equipment								-	-	-
Machinery and Equipment								2 078	3 196	4 320
Transport Assets								-	-	-
Libraries								-	-	-
Zoo's, Marine and Non-biological Animals								-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	-	-	-	-	-	765 016	826 487	871 085
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation</b>	7	-	-	-	-	-	-	4 460	4 723	4 998
<b>Repairs and Maintenance by Asset Class</b>	3	-	-	-	-	-	-	3 543	3 761	3 990
Roads Infrastructure		-	-	-	-	-	-	1 000	1 059	1 121
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	759	805	854
Sanitation Infrastructure		-	-	-	-	-	-	521	553	587
Solid Waste Infrastructure		-	-	-	-	-	-	552	585	620
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	2 832	3 002	3 182
Community Facilities		-	-	-	-	-	-	107	114	121
Sport and Recreation Facilities		-	-	-	-	-	-	7	8	9
<b>Community Assets</b>		-	-	-	-	-	-	114	122	130
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	500	530	561
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	500	530	561
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	24	29	34
Machinery and Equipment		-	-	-	-	-	-	73	78	83
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	-	-	-	-	-	8 003	8 484	8 988
Renewal and upgrading of Existing Assets as % of total capex		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Renewal and upgrading of Existing Assets as % of deprec		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M as a % of PPE		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,5%	0,5%	0,5%
Renewal and upgrading and R&M as a % of PPE		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

## Explanatory notes to Table 12 (Table A9) – Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be at least 8% of PPE. Phumelela Local Municipality does not meet any of these recommendations. The

reason for this is that the capital budget of the municipality is funded in the form of conditional grants, and these can only be used for new assets as opposed to being used for the renewal of existing assets.

## **Part 2 – Supporting Documentation**

### **2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 regulation 4 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Senior Managers, Budget Manager, IDP Manager of the municipality meeting under the chairpersonship of the Council Committee for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the PLM's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### **2.1.1 IDP, Service Delivery and Budget Implementation Plan**

This is the 2<sup>nd</sup> year of the fourth generation of the IDP and will be adopted by council on the 31<sup>st</sup> of May 2018.

The PLM's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the 2<sup>nd</sup> revision cycle included the following Key IDP Processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring process.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF and the Mid-year review. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/2019 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the Mid-year performance against the 2017/2018 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

#### **2.1.2 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2018/2019 MTREF, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of this MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation)
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 85 and 86 has been taken into consideration in the planning and prioritisation process.

### **2.1.3 Community Consultation**

The draft 2018/2019 MTREF as tabled by Council on 31 March 2018 for community consultation was published on the municipality's website and hard copies made available at municipal offices and other community centres. In addition budget road shows will be held in different municipal clusters. Inputs will also be collected via e-mails.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/2019 MTREF.

### **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative of South Africa (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan
- Back to Basics Programme

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2018/2019 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 16 – IDP Strategic Objectives**

Priority	Objectives	Outcomes
1. Revenue	Increase own revenue from trading services and other revenue streams	Ensure that every consumer who is provided with a service is billed correctly and pay for the service by performing: <ul style="list-style-type: none"> <li>➤ Data cleansing</li> <li>➤ Constant follow up on outstanding accounts.</li> <li>➤ Collaboration with Eskom for the installation of split meters in Warden and Ezenzeleni to curb electricity losses which will increase revenue and reduce bulk purchases.</li> <li>➤ Annually maintain indigent register</li> <li>➤ Perform supplementary valuation rolls</li> <li>➤ Implementation of traffic management</li> </ul>
2. SCM Management	To procure goods and	Eliminate irregular, fruitless and wasteful



	services in line with sec 217 of the constitution and chapter 11 of the MFMA no.56 of 2003	expenditure. Value for money without compromising quality through competition, transparency and equity
3. Asset Management	To ensure that assets of the municipality are accounted for in terms of GRAP standards	Development of asset policy Develop and maintain GRAP 17 asset register Ensure that assets are comprehensively ensured
4. Budget reporting	Prepare and implement the budget in the terms of budget reforms	Ensure that the budget is approved by council before the start of the new financial year Ensure that monthly, quarterly and yearly reports are prepared and submitted to council on time.
5. Expenditure management	Ensure that expenditure incurred provided for in the approved budget	Reduction of unauthorised expenditure
6. Review of LED strategy	To have an updated LED strategy	Updated LED strategy
7. Exploiting and pursuing new investment opportunities	To attract new investors in around Phumelela	<ul style="list-style-type: none"> <li>- Agriculture/ Dairy farm</li> <li>- Gas exploration</li> <li>- Smart technology factory</li> <li>- Tourism opportunities</li> </ul>
8. Tourism	To promote tourism opportunities around Phumelela	To increase tourism opportunities
9. Cemeteries and Parks	To ensure effective management of graveyards and cemeteries in the Phumelela municipal area	Adequate provision for, safe and well maintained graveyards and cemeteries.
10. Sport and recreation facilities	To ensure access to sports and recreation in the Phumelela municipal area	Adequate provision, for safe and well maintain sport and recreational facilities, as measured in terms of the target set for the programs and projects in the 5 year IDP
11. Traffic and parking	To ensure effective and traffic management and parking in the Phumelela area	Adequate provision for traffic management and parking, as measured in terms of the targets set for programmes and project in the IDP
12. Waste management	To ensure effective and efficient waste management in the area from storage to disposal	Environmental clean waste disposal site
13. Energy and Electricity management	To ensure effective and efficient electricity supply	Sufficient provision of electricity
14. Municipal roads and storm water	To provide the mobility and enhance economic development in the Municipal environment	Improved access and enhancement of economic development
15. Sanitation	To ensure provision of reliable sanitation and related effluent	Healthy environment in the Phumelela area

16. Water	To ensure provision of clean potable water	Increased access to clean potable water
17. Alignment of Organizational Structure with IDP	To ensure that the structure is reviewed and linked to IDP Alignment of Organizational Structure with Powers & Functions Establish proper reporting lines	Structure reviewed and approved by Council
18. Filling of critical vacancies	To ensure that recruitment campaign is conducted in line with recruitment policy. To appoint / attract possible competent and skilled personnel	Clear job descriptions linked to KPA's and KPI's and deliverables.  Ensure compliance with minimum competencies
19. Development and review appropriate policies and by-laws	To have a policy driven and regulated environment	Policies adopted by Council including the 5437 Bylaws
20. Skill Audit to evaluate competencies & address shortcomings	To identify the skills gaps. Training to be in line with the WSP and approved by Council	Training plan in line with WSP approved by Council
21. Organizational Performance Management	Cascading Performance Management System to staff below Section 57. To ensure that a Culture of performance is installed	Clear job description
22. Improvement of Government/ governance Structures/ functionality of Council Committees	To ensure functionality of Section 80 Committee, ward committees, Oversight Committee and LLF.  Adopt organization wide schedule of meetings and comply with it	Section 80 resuscitated LLF properly constituted Audit committee established Schedule of dates adopted by Council
23. Legislative compliance	Report monthly, quarterly, mid-year and annually.  Reporting on the LGTAS (Monitoring and evaluation)	Ensure compliance in terms of reporting (MFMA guidelines)
24. Communication strategy	Better use of Municipal Web-site  Improve way of communication with public and stakeholders	Ensure functional website Convene Quarterly engagement with stakeholders

25. Spatial Development Framework	Review of the Spatial Development Framework	Reviewed Spatial Development Framework
26. Disaster Management	Development of a disaster management plan	Disaster management plan Developed
27. Sector Plans	FA: 9.1 Development of Sector plans for basic services; Water, Waste, Sanitation, Electricity/Energy and Roads & Pavement	

In order to ensure integrated and focused service delivery between all spheres of government it was important for the PLM to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide planning services (Town Planning); and
  - Maintaining the infrastructure of the PLM.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the PLM;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective PLM cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
4. Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
6. Promote sound governance through:
  - Publishing the outcomes of all tender processes on the municipal website
7. Ensure financial sustainability through:

- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
8. Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the PLM. The five-year programme responds to the development challenges and opportunities faced by the PLM by identifying the key performance areas to achieve the five strategic objectives mentioned above.

In addition to the five-year IDP, the PLM undertakes an extensive planning and developmental strategy which primarily focuses on a longer term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the PLM so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the PLM's IDP, associated sectorial plans and strategies, and the allocation of resources of the PLM and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the second revised IDP, including:

- Strengthening the analysis and strategic planning processes of the PLM;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 17 (Table SA4) – Reconciliation between the IDP strategic objectives and the budget revenue**

FS195 Phumelela - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Supporting Table 01: Reconstruction of Strategic Objectives and Budget (continued)				2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
Strategic Objective	Goal	Goal Code	Ref	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
R thousand													
To ensure provision of clean potable water	100% of households in formal settlements have access to basic level of water Water infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in this 5-year IDP. The percentage of households earning less than R3 200 per month with access to free basic services.			9 983	10 252	9 278	14 821	16 600	16 600	13 257	13 535	13 752	
To ensure provision of reliable sanitation and related effluent	Increase in access to sanitation  Sanitation infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in this 5-year IDP.			10 153	9 767	7 152	11 352	12 970	12 970	10 320	10 885	11 484	
To ensure that identified internal roads in the Phumelela municipal area are maintained and/or upgraded to facilitate economic and social activity required for the sustainable development of the municipality; considering the capacity limitations facing the Municipality	Repair and paving of roads according to the targets and projects indicated in the 5-year IDP			–	–	–	–	–	–	–	–	–	
To ensure good waste management in the Phumelela municipal area, as measured in terms of the outcome indicators listed below	Registration and establishment of landfill sites.  Development of a waste management plan			10 198	9 492	6 662	10 425	12 699	12 699	13 645	13 337	14 071	
To ensure increase in access to electricity for the Phumelela area	Sufficient provision of electricity.			8 612	13 977	7 790	16 122	6 038	6 038	10 270	8 195	8 646	
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area, as measured in terms of the outcome indicator listed below	Formulate and implement a schedule for the regular maintenance of parks, by providing adequate equipment, planting trees and buying			865	172	139	145	151	151	159	168	177	
To ensure access to quality sport and recreational in the Phumelela municipal area, as measured in terms of the outcome indicator listed below	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the programmes and projects in the 5-year IDP			–	–	–	–	–	–	–	–	–	
To create employment opportunities in the Phumelela municipal area; resulting from programmes and projects of this IDP	(Number of) employment opportunities created through targeted IDP projects			–	–	–	–	–	–	–	–	–	
	(Number of) employment opportunities created through EPWP initiatives			–	–	–	–	–	–	–	–	–	
To facilitate institutional transformation and development in the Phumelela local municipality as measured in terms of the outcome indicators listed below	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan; Targets in the review of organizational structure in line with the IDP and powers and function; and Skills development targets in the municipal Skills Development Plan.			–	–	–	–	–	–	–	–	–	
				–	–	–	–	–	–	668	668	668	
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001			122 300	107 437	154 155	76 174	78 341	78 341	78 072	87 052	93 897	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	162 112	151 097	185 178	129 038	126 800	126 800	126 391	133 840	142 694

**Table 18 (Table SA5) – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

FS195 Phumelela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Table 1: Financial Supporting Table 1: Realisation of IDP Strategic Objectives and Budget (Operating Expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
R thousand													
To ensure provision of clean potable water	100% of households in formal settlements have access to basic level of water Water infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in this 5-year IDP.  The percentage of households earning less than R3 200 per month with access to free basic services.			10 458	16 182	20 514	16 949	15 208	15 208	13 431	13 594	15 535	
To ensure provision of reliable sanitation and related effluent	Increase in access to sanitation  Sanitation infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in this 5-year IDP.			10 952	16 259	26 992	10 568	9 182	9 182	9 191	9 746	10 353	
To ensure that identified internal roads in the Phumelela municipal area are maintained and/or upgraded to facilitate economic and social activity required for the sustainable development of the municipality; considering the capacity limitations facing the Municipality	Repair and paving of roads according to the targets and projects indicated in the 5-year IDP			1 622	1 685	1 379	4 600	600	600	4 000	4 054	4 112	
To ensure good waste management in the Phumelela municipal area, as measured in terms of the outcome indicators listed below	Registration and establishment of landfill sites.  Development of a waste management plan			9 760	8 450	7 812	7 575	7 537	7 537	7 820	8 309	8 831	
To ensure increase in access to electricity for the Phumelela area	Sufficient provision of electricity.			57 277	22 042	64 517	16 506	18 143	18 143	16 006	16 371	17 271	
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area, as measured in terms of the outcome indicator listed below	Formulate and implement a schedule for the regular maintenance of parks, by providing adequate equipment, planting trees and buying												
To ensure access to quality sport and recreational in the Phumelela municipal area, as measured in terms of the outcome indicator listed below	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the programmes and projects in the 5-year IDP			1 136	1 458	1 522	1 691	1 527	1 527	2 410	2 566	2 732	
To create employment opportunities in the Phumelela municipal area; resulting from programmes and projects of this IDP	(Number of) employment opportunities created through targeted IDP projects  (Number of) employment opportunities created through EPWP initiatives												
To facilitate institutional transformation and development in the Phumelela local municipality as measured in terms of the outcome indicators listed below	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan; Targets in the review of organizational structure in line with the IDP and powers and function; and Skills development targets in the municipal Skills Development Plan.												
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001			73 510	90 043	85 474	71 074	74 548	74 548	73 479	79 122	83 777	
Allocations to other priorities													
Total Expenditure				1	164 715	156 119	208 210	128 962	126 745	126 745	126 337	133 763	142 612

**Table 19 (Table SA6) – Reconciliation between the IDP strategic objectives and the budgeted capital expenditure**

FS195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
R thousand													
To ensure provision of clean potable water	100% of households in formal settlements have access to basic level of water	A		8 297	10 461	53 550	68 693	60 955	60 955	39 798	44 087	34 000	
	Water infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in this 5-year IDP.	B											
	The percentage of households earning less than R3 200 per month with access to free basic services.												
To ensure provision of reliable sanitation and related effluent	Increase in access to sanitation			4 447	166	–	1 235	–	–	14 600	10 541	10 200	
	Sanitation infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in this 5-year IDP.												
To ensure that identified internal roads in the Phumelela municipal area are maintained and/or upgraded to facilitate economic and social activity required for the sustainable development of the municipality; considering the capacity limitations facing the Municipality	Repair and paving of roads according to the targets and projects indicated in the 5-year IDP			9 969	5 644	6 173	1 032	5 395	5 395	7 197	78	–	
To ensure good waste management in the Phumelela municipal area, as measured in terms of the outcome indicators listed below	Registration and establishment of landfill sites.			–	–	–	–	–	–	–	–	–	
	Development of a waste management plan												
To ensure increase in access to electricity for the Phumelela area	Sufficient provision of electricity.			–	5 091	664	1 200	3 240	3 240	2 453	5 120	6 400	
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area, as measured in terms of the outcome indicator listed below	Formulate and implement a schedule for the regular maintenance of parks, by providing adequate equipment, planting trees and buying			–	–	–	1 017	3 425	3 425	2 416	3 289	90	
To ensure access to quality sport and recreational in the Phumelela municipal area, as measured in terms of the outcome indicator listed below	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the programmes and projects in the 5-year IDP		2 356	4 841	4 052	10 203	10 367	10 367	1 200	2 000	7 727		
To create employment opportunities in the Phumelela municipal area; resulting from programmes and projects of this IDP	(Number of) employment opportunities created through targeted IDP projects												
	(Number of) employment opportunities created through EPWP initiatives												
To facilitate institutional transformation and development in the Phumelela local municipality as measured in terms of the outcome indicators listed below	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan; Targets in the review of organizational structure in line with the IDP and powers and function; and Skills development targets in the municipal Skills Development Plan.		796	–	–	1 073	1 073	1 073	1 034	1 052	1 101		
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	C D  P	–	169	268	–	–	–					
Allocations to other priorities				3									
Total Capital Expenditure				1	25 865	26 373	64 708	84 454	84 454	84 454	68 698	66 168	59 517

### **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the PLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:



The following table sets out the municipalities main performance objectives and benchmarks for the 2018/2019 MTREF.

**Table 20 (Table SA8) – Performance indicators and benchmarks**

FS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	4,4%	6,1%	15,0%	2,0%	5,9%	5,9%	5,9%	1,4%	1,4%	1,3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	13,1%	18,0%	54,2%	4,0%	12,9%	12,9%	12,9%	3,2%	3,2%	3,1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	-1,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0,1	0,1	0,1	1,6	1,6	1,6	1,6	1,6	1,6	1,6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,1	0,1	0,1	1,6	1,6	1,6	1,6	1,6	1,6	1,6
Liquidity Ratio	Monetary Assets/Current Liabilities	0,0	0,0	0,0	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		123,5%	100,1%	77,8%	80,0%	88,9%	88,9%	88,9%	80,0%	85,2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		123,5%	100,1%	77,8%	80,0%	88,9%	88,9%	88,9%	80,0%	85,2%	86,4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	8,9%	9,0%	11,1%	144,1%	146,7%	146,7%	146,7%	154,8%	154,2%	152,6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		17817,3%	29812,7%	15983,9%	-79106,0%	75638,4%	75638,4%	75638,4%	-21639,6%	-7786,7%	-4846,1%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	40,4%	33,5%	46,2%	47,8%	42,6%	42,6%	42,6%	51,1%	52,4%	52,3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	44,2%	39,6%	59,4%	52,3%	47,1%	47,1%		56,0%	57,4%	57,3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0,0%	0,0%	6,3%	2,7%	2,8%	2,8%		4,0%	4,0%	4,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	19,7%	17,4%	39,3%	5,3%	8,5%	8,5%	8,5%	3,0%	2,6%	2,9%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	5,0	5,1	11,3	12,5	12,5	12,5	5,9	5,4	5,1	5,4
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	25,0%	31,8%	31,2%	332,2%	383,4%	383,4%	383,4%	485,0%	516,2%	523,4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,1	0,0	0,1	(0,0)	0,0	0,0	0,0	(0,1)	(0,2)	(0,3)

## 2.4 Overview of budget related-policies

The PLM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### 2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council on 25 March 2008, has been reviewed and the following amendments took place:

- Section 4 Subsection 4.1 (The Municipality will only enter into a contract agreement with the Owner of the property) This item is added to the policy to get rid of tenants accounts
- In the case of tenants a written approval by the owner must accompany the agreement. (This item has been removed from a reviewed policy. No tenants' accounts allowed anymore.)
- The Chief Financial Officer shall authorise the reconnection of services or reinstatement of service delivery within twenty-four hours after satisfactory payment and/or arrangement for payment, together with reconnection fees, has been made according to the municipality's Credit Control Policy (Turnaround time has been added.)

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the SETA training institution aims to also train indigent households. In line with the national government's initiative to create a million jobs, all role players are actively involved in the reduction of the number of registered indigent households.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 percent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the PLM's cash levels and PLM has appointed debt collectors to enforce this. In addition, PLM has already embarked on encouraging the community to pay for services and those who cannot afford to pay, be registered as indigents.

#### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

The Municipality has recently reviewed and adopted a Fixed Assets Management policy which provides all the information relating to the funding and investment related to the Infrastructure.

#### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 25 March 2008. The SCM policy was reviewed during the Annual Budget for 2018/19 MTREF and Section 53 Subsection (a) was amended with the following:

- 1% of corporate social investment on all awards made by the Municipality in excess of R200,00.00 to be removed

This policy will be adopted by council when the Annual Budget is adopted on the 30 May 2017.

#### **2.4.4 Other Reviewed and New Policies**

The following policies were also reviewed when the Annual Budget for 2018/19 MTREF was prepared:

- Tariffs Policy
- Infrastructure Procurement and Delivery Management Policy (New)
- Credit and Debt Collection Policy
- Indigent Policy
- Write-off Policy
- Petty Cash Policy
- Banking and Investment Policy
- Budget and Virements Policy
- Fixed Asset Management Policy
- Accounting Policy
- Borrowing Policy
- Funds and Reserves Policy
- Property Rates Policy
- Contingent Liabilities Policy

- Commitments Policy
- SPLUMA Tariffs
- Unauthorised, Irregular and Fruitless Expenditure Policy

#### Travel and Subsistence Policy

- Amendments are as follows :
  - Clause 3.12 (Calculation on the fixed monthly travelling allowance);
  - Clause 4.2.2 (R75.00 has been taken out of the policy were staff is required to travel outside the jurisdiction of the municipality.
  - Clause 9 (To be included to read the “Policy will be implemented annually in line with the salary and wage collective agreement”).

## 2.5 OVERVIEW OF THE BUDGET ASSUMPTIONS

### 2.5.1 External Factors

The 2018 Budget Review emphasised that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa’s December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. The drought experienced in several provinces poses significant risks to agriculture and tourism for the period ahead, and this may threaten jobs in these sectors. The current water crisis in the Western Cape and other provinces will affect economic growth. While the drought’s impact is uncertain much depends on how long it will prevail; the extent to which specific catchment areas are affected; and the success of mitigation measures.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In addition, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures. The following macro-economic forecasts must be considered when preparing the 2018/19 MTREF municipal budgets.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality’s residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

CPI inflation rate is below the 6 percent parameter set by the South African Reserve Bank.

### **2.5.3 Collection rate for revenue services**

Cash flow is assumed to be 80 percent of billings due to corrective measures that have been implemented. The performance of arrears collection will only be considered as a source of additional cash in-flow once the performance has been carefully monitored.

The achievement of the budgeted revenue is premised on the following assumptions.

- Data cleansing to achieve correct billings
- Reduction of electricity losses as a result of line losses.
- Installation of smart/split meters to prevent tempering
- Cleaning and replacing of broken water meters
- Install new meters in Zamani and Ezenzeleni to abolish the flat rate that is currently being used as a form of billing.
- Appointment of external Debt Collectors to improve revenue collection.
- Subsidising indigents only, as opposed subsidising every household
- Billing consumers correctly for each service consumed.

### **2.5.4 Salary increases**

The South African Local Government Bargaining Council is currently in the process of entering into a Salary and Wage collective agreement.

PLM has used 7% as a guide in the preparation of its budget for the MTREF.

### **2.5.5 Growth or decline in tax base of the municipality**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the PLM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the costs incurred for servicing the household is the same whether it is poor or not, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

### **2.5.6 Impact of National, Provincial and Local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. As thus, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure development;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure, thereby ensuring the achievement of the national, provincial and local objectives.

#### **2.5.7 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of almost 100 percent is achieved on operating expenditure and a total of 100 percent on the capital programme for the 2018/19 MTREF. If the municipality could exhaust all its funds to ensure service delivery to the community, that is a committed municipality.

### **2.6 Overview of budget funding**

#### **2.6.1 Medium-term outlook: operating revenue**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives a reasonable part of its operational revenue from the provision of services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building fees, licences and permits, etc.) make up the rest of the pie.

The revenue strategy is a function of key components such as:

- Growth in the PLM and economic development;
- Revenue management and enhancement;
- Achievement of a 80 percent collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) guideline;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- The ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

#### **2.6.2 Medium-term outlook: Capital Revenue**

Grant receipts still remain a significant funding source for the capital programme over the medium-term. The borrowing capacity of PLM has essentially reached its limits and going forward borrowing limits will remain constant.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. The main contributing factor to the escalation of 100 percent spending is owing to the fact that PLM budget for capital spending on a year to year basis is funded by conditional grants.

#### **2.6.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

Clear separation of capital and operating receipts from government also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue; and  
Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 20 (Table A7) – Budgeted Cash flow statement**

FS195 Phumelela - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		11 023	11 897	12 259	10 103	10 103	10 103	10 103	10 046	10 598	11 181
Service charges		39 818	29 387	20 975	30 880	30 880	30 880	30 880	21 980	23 189	24 464
Other revenue		–	–	–	5 780	5 780	5 780	5 780	6 272	6 617	6 981
Government - operating	1	61 098	57 560	62 935	64 948	68 248	68 248	68 248	70 498	74 375	78 466
Government - capital	1	44 678	42 091	68 712	84 454	84 454	84 454	84 454	68 698	66 168	59 517
Interest		9 731	9 900	9 494	4 937	4 937	4 937	4 937	9 674	10 206	10 767
Dividends		–	–	8 706	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(137 206)	(108 582)	(86 353)	(114 709)	(117 709)	(117 709)	(117 709)	(116 948)	(123 378)	(130 164)
Finance charges		(5 911)	(14 778)	(30 268)	(2 388)	(2 388)	(2 388)	(2 388)	(2 388)	(2 519)	(2 658)
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		23 231	27 475	66 460	84 005	84 305	84 305	84 305	67 831	65 256	58 555
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
Payments											
Capital assets		(25 865)	(26 373)	(64 708)	(84 454)	(84 454)	(84 454)	(84 454)	(68 698)	(66 168)	(59 517)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(25 865)	(26 373)	(64 708)	(84 454)	(84 454)	(84 454)	(84 454)	(68 698)	(66 168)	(59 517)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	(3)	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		(1 390)	(1 248)	(1 045)	(187)	(187)	(187)	(187)	(168)	(177)	(187)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1 390)	(1 248)	(1 048)	(187)	(187)	(187)	(187)	(168)	(177)	(187)
NET INCREASE/ (DECREASE) IN CASH HELD											
		(4 024)	(146)	704	(636)	(336)	(336)	(336)	(1 035)	(1 089)	(1 149)
Cash/cash equivalents at the year begin:	2	4 609	589	471	489	489	489	489	471	(564)	(1 653)
Cash/cash equivalents at the year end:	2	585	443	1 175	(147)	153	153	153	(564)	(1 653)	(2 803)

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the tabled 2017/2018 MTREF is funded owing to the realised surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

## 2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

**Table 22 – Funding compliance measurement**

**FS195 Phumelela Supporting Table SA10 Funding measurement**

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	585	443	1 175	(147)	153	153	153	(564)	(1 653)	(2 803)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(94 898)	(124 288)	(179 268)	18 283	32 928	32 928	32 928	10 205	16 352	17 839
Cash year end/monthly employee/supplier payments	18(1)b	3	0,1	0,0	0,1	(0,0)	0,0	0,0	0,0	(0,1)	(0,2)	(0,3)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(2 603)	(5 022)	(23 033)	76	54	54	54	55	77	83
Service charge rev % change - macro CPIX target exclusive	18(1)a(2)	5	N.A.	(5,8%)	(2,4%)	13,9%	(16,0%)	(6,0%)	(6,0%)	(19,1%)	(6,9%)	(2,0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a(2)	6	91,7%	82,0%	57,8%	73,2%	80,1%	80,1%	80,1%	68,8%	72,0%	72,8%
Debt impairment expense as a % of total billable revenue	18(1)a(2)	7	58,3%	0,0%	84,6%	10,0%	8,9%	8,9%	8,9%	10,9%	11,7%	12,4%
Capital payments % of capital expenditure	18(1)c:19	8	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0,0%	0,0%	(1,3%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								50,6%	53,9%	58,5%
Current consumer debtors % change - inc/(decr)	18(1)a	11	N.A.	25,1%	2,6%	1282,7%	0,0%	0,0%	0,0%	5,2%	5,5%	5,5%
Long term receivables % change - inc/(decr)	18(1)a	12	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0,0%	0,0%	1,1%	0,5%	0,5%	0,5%	0,7%	0,6%	0,6%	0,6%
Asset renewal % of capital budget	20(1)(vi)	14	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Total Operating Revenue</b>			117 433	145 250	120 697	129 038	126 800	126 800	126 800	126 391	133 840	142 694
<b>Total Operating Expenditure</b>			164 715	156 119	208 210	128 962	126 745	126 745	126 745	126 337	133 763	142 612
<b>Operating Performance Surplus/(Deficit)</b>			(47 282)	(10 869)	(87 513)	76	54	54	54	55	77	83
<b>Cash and Cash Equivalents (30 June 2012)</b>										(564)		
<b>Revenue</b>												
% Increase in Total Operating Revenue				23,7%	(16,9%)	6,9%	(1,7%)	0,0%	0,0%	(0,3%)	5,9%	6,6%
% Increase in Property Rates Revenue				6,2%	1,4%	6,4%	(0,5%)	0,0%	0,0%	(0,1%)	5,5%	5,4%
% Increase in Electricity Revenue				2,9%	(0,6%)	79,3%	(59,3%)	0,0%	0,0%	(18,7%)	(47,5%)	3,6%
% Increase in Property Rates & Services Charges				0,2%	3,6%	19,9%	(10,0%)	0,0%	0,0%	(13,1%)	(0,9%)	4,0%
<b>Expenditure</b>												
% Increase in Total Operating Expenditure				(5,2%)	33,4%	(38,1%)	(1,7%)	0,0%	(0,0%)	(0,3%)	5,9%	6,6%
% Increase in Employee Costs				2,5%	14,6%	10,7%	(12,5%)	0,0%	0,0%	19,5%	8,6%	6,5%
% Increase in Electricity Bulk Purchases				39,3%	61,4%	(52,2%)	18,8%	0,0%	0,0%	(17,7%)	1,9%	5,5%
Average Cost Per Budgeted Employee Position (Remuneration)					240273,3405	261578,1864				336266,026		
Average Cost Per Councillor (Remuneration)					352141,8667	381560,8667				417854,1333		
R&M % of PPE			0,0%	0,0%	1,1%	0,5%	0,5%	0,5%		0,6%	0,6%	0,6%
Asset Renewal and R&M as a % of PPE			0,0%	0,0%	1,0%	0,0%	0,0%	0,0%		1,0%	1,0%	1,0%
Debt Impairment % of Total Billable Revenue			58,3%	0,0%	84,6%	10,0%	8,9%	8,9%	8,9%	10,9%	11,7%	12,4%
<b>Capital Revenue</b>												
Internally Funded & Other (R'000)			-	335	268	-	-	-	-	-	-	-
Borrowing (R'000)			-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)			25 865	26 038	64 439	84 454	84 454	84 454	84 454	68 698	66 168	59 517
Internally Generated funds % of Non Grant Funding			0,0%	100,0%	100,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Borrowing % of Non Grant Funding			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grant Funding % of Total Funding			100,0%	98,7%	99,6%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
<b>Capital Expenditure</b>												
Total Capital Programme (R'000)			25 865	26 373	64 708	84 454	84 454	84 454	84 454	68 698	66 168	59 517
Asset Renewal			-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Cash</b>												
Cash Receipts % of Rate Payer & Other			91,7%	82,0%	57,8%	73,2%	80,1%	80,1%	80,1%	68,8%	72,0%	72,8%
Cash Coverage Ratio			0	0	0	(0)	0	0	0	(0)	(0)	(0)
<b>Borrowing</b>												
Credit Rating (2009/10)										0		
Capital Charges to Operating			4,4%	6,1%	15,0%	2,0%	5,9%	5,9%	5,9%	1,4%	1,4%	1,3%
Borrowing Receipts % of Capital Expenditure			0,0%	0,0%	(1,3%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Reserves</b>												
Surplus/(Deficit)			(94 898)	(124 288)	(179 268)	18 283	32 928	32 928	32 928	10 205	16 352	17 839
<b>Free Services</b>												
Free Basic Services as a % of Equitable Share			0,0%	1,6%	0,0%	13,5%	11,0%	11,0%		14,0%	12,8%	12,5%
Free Services as a % of Operating Revenue (excl operational transfers)			0,0%	1,7%	0,0%	0,0%	0,0%	0,0%		0,0%	0,0%	0,0%
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			117 433	145 250	120 697	129 038	126 800	126 800	126 800	126 391	133 840	142 694
Total Operating Expenditure			164 715	156 119	208 210	128 962	126 745	126 745	126 745	126 337	133 763	142 612
Surplus/(Deficit) Budgeted Operating Statement			(47 282)	(10 869)	(87 513)	76	54	54	54	55	77	83
Surplus/(Deficit) Considering Reserves and Cash Backing			(94 898)	(124 288)	(179 268)	18 283	32 928	32 928	32 928	10 205	16 352	17 839
<b>MTREF Funded (1) / Unfunded (0)</b>			15	0	0	1	1	1	1	1	1	1
<b>MTREF Funded ✓ / Unfunded ✗</b>			15	✗	✗	✓	✓	✓	✓	✓	✓	✓

## **2.7 Annual budgets and SDBIPs – internal departments**

The SDBIPs for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor within 28 days after the approval of the annual budget. Therefore, at the time when this budget was adopted the SDBIP was yet to be approved.

## **2.8 Contracts having future budgetary implications**

In terms of the PLM's Supply Chain Management Policy, no contracts are awarded beyond the medium term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## **PART 2: SUPPORTING DOCUMENTATION**

### **2.9 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **2.9.1 In-year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the PLM's website.

#### **2.9.2 Internship programme**

The PLM is participating in the Municipal Financial Management Internship programme and has employed eight interns undergoing training in various divisions of the Financial Services Department. 5 of the interns previously trained by the municipality were appointed on permanent basis as of 4<sup>th</sup> May 2015. Since the introduction of the Internship programme the PLM has successfully employed and trained eighteen interns through this programme and a majority of them were appointed either in the PLM and other institutions such as KPMG, Anglo American and municipalities such as Lekwa Local Municipality and Thabo Mofutsanyana District municipality.

Five new interns were appointed by the municipality during the 2016-17 financial year and their training contracts will be expiring at the end of April 2019.

#### **2.9.3 Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

#### **2.9.4 Audit Committee**

PLM is currently using a shared district Audit Committee.

#### **2.9.5 Service Delivery and Budget Implementation Plan**

The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF on or before the 31<sup>st</sup> May 2018 directly aligned and informed by the 2018/19 MTREF.

#### **2.9.6 Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

#### **2.9.7 MFMA Training**



Current Interns are busy undergoing the MFMA training module in electronic format, and have been registered for the Municipal Finance Management Programme. Nine officials of the municipality have undergone the Municipal Finance Management Programme and are awaiting certification.

#### **2.9.8 Policies**

All Phumelela Local Municipality's developed and reviewed policies are aligned to government legislations and regulations as gazetted. Any amendments to our policies will not deviate from gazetted legislations and regulations.



## 2.10 Municipal Manager’s quality certificate

I ....., Municipal Manager of Phumelela Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal Manager of Phumelela Local Municipality (FS195)

Signature \_\_\_\_\_

Date \_\_\_\_\_